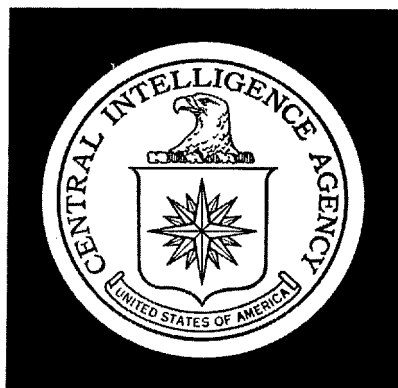


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1. LAOS

There are new signs that junior officers are dissatisfied with the military leadership in Vientiane.

A number of colonels in the Royal Armed Forces have been circulating a petition calling for the creation of two new posts in the cabinet to be filled by military men, ostensibly for the purpose of increasing coordination between military and civilian elements in the government.

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The real purpose of the petition, however, may be to pave the way for a shake-up in the top leadership of the armed forces. [REDACTED]

[REDACTED] the colonels behind the petition are suggesting that the new posts be filled by Commander in Chief Ouan and his deputy, Kouprasith. The colonels are apparently arguing that with Ouan and Kouprasith kicked upstairs, de facto control of the armed forces will fall to General Phasouk, a vigorous and popular regional commander in southern Laos.

The petition has received support from a substantial number of junior officers who have been disgruntled over the venality of Ouan and Kouprasith and the way they have been prosecuting the war against the Pathet Lao. [REDACTED]

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It is not clear how far the colonels are now willing to press their case. At a minimum, the petition has revived quiescent political maneuvering in Vientiane. [REDACTED]

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2. SOVIET TRADE IN NATURAL GAS

The USSR could become a significant exporter of natural gas to the industrialized countries of Western Europe and Japan as early as 1971 if current negotiations with Japan, Italy, Austria, and France are successfully concluded. Negotiations are presently stalled over price and terms of credit.

By 1975 Soviet exports to Japan may reach two billion cubic meters of gas, representing 40 percent of its requirements. Exports to Western Europe may reach six to eight billion cubic meters, or up to seven percent of its market.

The USSR is attempting to obtain credits of up to \$485 million in Western Europe and \$180 million from Japan for the purchase of pipe and other equipment needed to construct export facilities. Income from the annual sale of the above quantity of gas at prices now under discussion would permit full amortization of these credits within ten years, and thereafter would afford the USSR annual foreign-exchange earnings of \$100 to \$125 million.

Conclusion of an agreement with Japan appears almost certain in view of the lack of alternative sources of gas to satisfy the rising Japanese demand, and the lack of markets for Soviet gas from Sakhalin. Exports to Western Europe would take place through a planned 5,000-kilometer pipeline to Trieste from large new Soviet fields in the West Siberian lowlands. Prices now under discussion would cover Soviet costs and would be competitive with those of most free world suppliers.

While seeking to export gas to Japan and Western Europe, the USSR has already signed agreements whereby it will import low-cost gas from Afghanistan and Iran and will assist in the construction of the pipeline and other facilities necessary to transmit the gas. During 1967-74, imports of gas probably will exceed total Soviet exports, but under present plans trade could be approximately in balance by 1975. [REDACTED]

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3. INTERNATIONAL GRAIN SITUATION

Another near-record year in world wheat production following last year's record crop ensures export availabilities in 1967-68 well in excess of world demand. Rice will cause the major grain supply problem next year, however, as world demand exceeds available supplies. Production of other major grains is sufficient to meet world demands.

World wheat production in 1967 is estimated at a near-record 278 million tons. In North America, both the US and Canada harvested good crops and are faced with large exportable surpluses. Unusually favorable weather in Europe, the Middle East, and Africa resulted in good crops. Only fair crops, however, have been forecast for other important wheat countries in the southern hemisphere.

Grain crops in the Communist countries, with the exception of North Vietnam, were relatively good in 1967, and, despite continuing purchases from Canada, the USSR will be a net exporter of wheat. Moscow supplies Eastern Europe and probably will have to meet large Egyptian needs next year. Peking probably will continue to import 5 to 6 million tons of grain from the free world.

After two adverse years, favorable weather will raise Indian foodgrain production in 1967-68. Imports will still be needed, however, to help replenish central reserves. Because US shipments to India are expected to be reduced next year, Washington should be able to rebuild reserve stocks and meet the expected demand of traditional buyers of US wheat.

Because of short crops of rice in Thailand and Burma, the US faces requests next year of up to 800,000 tons from South Vietnam and up to 200,000 tons from Indonesia. Washington will be hard pressed to meet these needs and still maintain its 1967 level of sales to the dollar market.

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